

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3569-01
BILL NO.: HB 1901
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income-Sales and Use
TYPE: Original
DATE: February 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$74,012)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$74,012)	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$59,240,000)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation ensures that taxpayers are notified by the Director of Revenue of potential refunds when a statute is found unconstitutional which may result in a greater refund. It also extends the statute of limitations to Dec. 31, 2000 on refunds of taxes paid under section 144.750 before it was found unconstitutional.

Department of Revenue processed 10,629 refunds of this type after 1996 and paid 118.5 million dollars. The average refund was \$11,848.00. Around 5000, did not meet statute of limitation requirements. If DOR is required to go back and issue these 5000 local use tax refunds we assume the average will remain the same and the locals will suffer a \$59,240,000.000 hit ($\$11,848.00 \times 5000 = \$59,240,000.00$). Distributed at a ratio of 60% to cities and 40% to counties, DOR project a \$35,544,000.00 loss to cities and a \$23,696,000 loss to counties.

DOR will need 20 temporary employees for 6 months to manually issue approximately 5,000 of the type refunds in question. DOR state this proposal requires them to notify taxpayers of potential refunds when a statute is found unconstitutional. This change will require an estimated 346 hours of programming and DOR will incur State Data Center charges of \$2,363.00.

Oversight assumes that an account clerk I could process 30 local use tax refunds a day. Assuming there are approximately 5,000 use tax refund claims to process, Oversight estimates that 5 temporary account clerk I's could handle the provisions of this proposal in a 6 month period. Programming costs and State Data Center charges will be reflected as stated above.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost to General Revenue Fund Department of Revenue (DOR)

Personal Service(5 FTE)	(\$46,860)		
Fringe Benefits	(\$14,409)		
Expense and Equipment	(\$12,743)		
Total Administrative <u>Costs</u> to DOR	(\$74,012)	\$0	\$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$74,012)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss to Political Subdivisions</u>			
Cities			
Additional refunds of local use tax	(\$35,544,000)	\$0	\$0
Counties			
Additional refunds of local use tax	(\$23,696,000)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$59,240,000)</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted as a result of this proposal.

DESCRIPTION

This bill requires the Director of the Department of Revenue to allow a claim for a refund by a taxpayer within 6 months of the director's notification of the overpayment when a tax is ruled unconstitutional.

The bill also extends the time period for the claim of a refund by a taxpayer, as the claim relates to local use taxes, until December 31, 2000.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue



Jeanne Jarrett, CPA
Director
February 25, 2000